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B1, 1.4(D)PAGE 01 CARACA 03966 01 OF 03 112255Z  
ACTION WHA-00

INFO	LOG-00	NP-00	AID-00	CEA-01	CIAE-00	COME-00	CTME-00
	INL-00	DODE-00	DOEE-00	DOTE-00	SRPP-00	DS-00	EB-00
	EXIM-01	E-00	FAAE-00	VC-00	FRB-00	H-01	TEDE-00
	INR-00	ITC-01	L-00	VCE-00	AC-01	NSAE-00	OMB-01
	OPIC-01	PA-00	PM-00	PRS-00	ACE-00	P-00	SP-00
	IRM-00	SSO-00	STR-00	TRSE-00	USIE-00	EPAE-00	PMB-00
	DSCC-00	PRM-00	DRL-02	G-00	NFAT-00	SAS-00	/009W

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P 112156Z DEC 02  
FM AMEMBASSY CARACAS  
TO SECSTATE WASHDC PRIORITY 8950  
INFO AMEMBASSY BOGOTA  
NSC WASHDC  
USCINCSO MIAMI FL

C O N F I D E N T I A L SECTION 01 OF 03 CARACAS 003966

NSC FOR LLORENS  
SOUTHCOM FOR POLAD

E.O. 12958: DECL: 12/11/2012  
TAGS: PGOV, ECON, VE  
SUBJECT: GOV HANGS IN AS ECONOMY GRINDS TO A HALT

REF: A. CARACAS 3945  
B. CARACAS 3947  
C. CARACAS 3942

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CLASSIFIED BY: DCM FREDERICK B. COOK. REASON: 1.5(D)

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SUMMARY  
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1. (C) THE GENERAL STRIKE, WHICH INITIALLY FAILED TO PARALYZE VENEZUELA'S ECONOMY, GAINED MASSIVE NEW STRENGTH WHEN STATE OIL PRODUCER PDVSA LARGELY SHUT DOWN. NOW, MUCH OF THE ECONOMY IS, IN EFFECT, NOT FUNCTIONING. CERTAIN KEY ELEMENTS, NAMELY DISTRIBUTION OF EXISTING GASOLINE STOCKS, DISTRIBUTION OF FOOD, PROVISION OF BANKING SERVICES, AND ELECTRICAL POWER, ARE BEING MAINTAINED AT VARYING LEVELS.

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FROM THERE TO HERE  
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2. (C) THE GENERAL STRIKE BEGAN ON DECEMBER 2, WITH ITS LENGTH TO BE DETERMINED ON A DAY-TO-DAY BASIS. MANY IN THE BUSINESS COMMUNITY HAD COUNSELED AGAINST CALLING A STRIKE IN  
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DECEMBER, FEARING THE RETAIL SECTOR WOULD NOT SUPPORT IT AT THE COST OF LOSING THEIR ONE CHANCE, THE PRE-CHRISTMAS BUYING SEASON, TO AT LEAST PARTIALLY MAKE UP FOR THE PAIN OF AN ECONOMY WHICH HAD BEEN CONTRACTING AT AN ANNUAL RATE OF SIX PCT. THESE FEARS WERE BORNE OUT. IN THE FIRST DAYS OF THE STRIKE, LARGE, PRIVATELY OWNED MANUFACTURING (THE BACKBONE OF PREVIOUS GENERAL STRIKES) STAYED OUT, BUT RETAIL BUSINESSES AT LEAST OUTSIDE OF THE WELL-OFF EASTERN NEIGHBORHOODS OF CARACAS AND (CRUCIALLY) PRIVATE BUS TRANSPORTATION CONTINUED TO FUNCTION. ONLY WHEN PDVSA MANAGERS, WHO HAD NOT YET STAYED OUT IN SUFFICIENT NUMBERS TO DECISIVELY AFFECT OPERATIONS JOINED THE STRIKE ON DECEMBER 3 (AFTER A PEACEFUL DEMONSTRATION IN FRONT OF ONE OF PDVSA'S BUILDINGS WAS VIOLENTLY REPPRESSED BY THE NATIONAL GUARD), DID THE DYNAMIC CHANGE.

3. (C) THE FOLLOWING DAYS SAW MAJOR ELEMENTS OF PETROLEUM-RELATED INFRASTRUCTURE GO OFF LINE. CAPTAINS OF TANKERS BELONGING TO PDVSA'S MARINE ARM DROPPED ANCHOR OFF OF OIL PORTS, AND WERE SOON JOINED BY TUGBOAT CREWS AND HARBOR PILOTS. THIS RENDERED THE PORTS IMPASSABLE (IF NOT COMPLETELY, AT LEAST ENOUGH TO MAKE IT TOO RISKY, IN INSURANCE TERMS, FOR OTHER SHIPS TO COME AND GO). REFINERIES (INCLUDING THE PARAGUANA COMPLEX, THE WORLD'S BIGGEST) BEGAN TO GO DOWN. WHOLESALE GASOLINE DISTRIBUTION POINTS ("LLENADORES") FOR GASOLINE BEGAN TO CLOSE, QUICKLY AFFECTING RETAIL GASOLINE SALES. NATURAL GAS DISTRIBUTION, INCLUDING TO THE HUGE STATE-OWNED ALUMINUM AND STEEL PRODUCING INDUSTRIES IN GUAYANA, WAS AFFECTED.

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LIFE GOES ON  
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4. (C) HOWEVER, OVER THE LAST TWO TO THREE DAYS, A (PERHAPS PRECARIOUS) STABILITY HAS EMERGED, AND THE ECONOMIC FOUNDATIONS FOR THE BASICS OF NORMAL LIFE HAVE CONTINUED, AT LEAST IN CARACAS. IT IS GENERALLY AGREED THAT SUBSTANTIAL AMOUNTS OF GASOLINE WERE REFINED BY PDVSA PRIOR TO THE STRIKE, WITH ONE [REDACTED] TELLING US THAT 30 DAYS' WORTH EXISTED. (OTHER FIGURES, HOWEVER, ARE CONSIDERABLY SHORTER, SUCH AS TWO WEEKS.) THE GOV EVIDENTLY SAW THAT THIS WAS THE MOST IMPORTANT (OR AT LEAST URGENT) VARIABLE IN THE ECONOMY-SECURITY EQUATION, AND DID NOT HESITATE TO REQUISITION TRUCKS TO MOVE GASOLINE, AND USE TROOPS AND POLICE TO MAKE SURE THAT BOTH WHOLESALE AND RETAIL GASOLINE DISTRIBUTION IS MAINTAINED. WHILE BY NO MEANS ALL GAS STATIONS IN CARACAS ARE FUNCTIONING (AND THE SITUATION MAY BE CONSIDERABLY WORSE OUTSIDE THE CAPITAL), FOR NOW IT IS POSSIBLE TO GAS UP ONE'S CAR WITHOUT MUCH TROUBLE, AND IN MANY CASES THERE ARE ONE OR TWO SOLDIERS NEAR THE PUMP, PRESUMABLY TO DAMPEN DOWN ANY PRO-STRIKE SENTIMENT AMONG GAS STATION OWNERS. WHILE THE OPPOSITION HAS SUGGESTED THAT IN

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INFO	LOG-00	NP-00	AID-00	CEA-01	CIAE-00	COME-00	CTME-00
	INL-00	DODE-00	DOEE-00	DOTE-00	SRPP-00	DS-00	EB-00
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	DSCC-00	PRM-00	DRL-02	G-00	NFAT-00	SAS-00	/009W

-----1651EB 112255Z /38

P 112156Z DEC 02  
FM AMEMBASSY CARACAS  
TO SECSTATE WASHDC PRIORITY 8951  
INFO AMEMBASSY BOGOTA  
NSC WASHDC  
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C O N F I D E N T I A L SECTION 02 OF 03 CARACAS 003966

NSC FOR LLORENS  
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ADDITION TO BEING AN OUTRAGE AGAINST PRIVATE PROPERTY, THE  
EMERGENCY TRUCKING OF FUEL IS BEING DONE IN AN UNSAFE MANNER,  
WE EXPECT THAT AS LONG AS THERE IS GASOLINE IN-COUNTRY, THE  
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GOV WILL FIND A WAY TO GET IT INTO VENEZUELAN'S VEHICLES.

5. (C) MAINTENANCE OF FOOD SUPPLIES HAS ALSO CONTINUED,  
ALBEIT WELL AT A LOWER LEVEL THAN PRIOR TO THE GENERAL  
STRIKE. THE FOOD PRODUCERS AND THE SUPERMARKET CHAINS HAVE  
REPEATEDLY STRESSED THAT THEY ARE COMMITTED TO MAINTAINING  
BASIC FOOD SUPPLIES, AND ON THE WHOLE HAVE MANAGED TO KEEP  
SHELVES STOCKED. OF COURSE, MANY FOOD PROCESSING FACTORIES  
ARE SHUT DOWN, AND FOOD SALES ARE COMING OUT OF EXISTING  
STOCKS IN WAREHOUSES. DELIVERY HAS BEEN AN ISSUE, BUT IF THE  
GOV MANAGES TO MAINTAIN GASOLINE FLOW, TRUCKS SHOULD STAY ON  
THE ROADS, AND THERE IS ENOUGH FOOD IN-COUNTRY TO LAST AT  
LEAST SEVERAL WEEKS, ALTHOUGH INCREASING SHORTAGES OF  
SPECIFIC ITEMS IS TO BE EXPECTED AS TIME GOES ON.  
NONETHELESS, THE SITUATION IS TIGHT RIGHT NOW, IF SEEMINGLY  
MANAGEABLE.

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THE GOV RENEWED ON DECEMBER 11 ITS  
PREVIOUS "MEGA-MARKET" IN CENTRAL CARACAS, WITH PRODUCTS,  
APPARENTLY REQUISITIONED FROM PRIVATE COMPANIES, ON SALE AT  
HEAVILY SUBSIDIZED PRICES.

6. (C) IF THE AVAILABILITY OF FOOD AND GASOLINE IS TO HAVE  
ANY REAL MEANING, MONEY MUST BE AVAILABLE TO PURCHASE THEM.  
THE OPPOSITION HAS BEEN CAUTIOUS HERE. BANKS ARE OPEN FOR A  
FEW HOURS. LINES ARE LONG, BUT CONSUMERS HAVE ACCESS TO  
THEIR BANK ACCOUNTS, AND, THE OTHER PREREQUISITE FOR NORMAL  
LIFE, ELECTRICAL POWER, HAS ALSO BEEN MAINTAINED.  
"ELECTRICIDAD DE CARACAS" HAS SWITCHED IN LARGE MEASURE FROM  
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NATURAL GAS TO FUEL OIL FOR GENERATION (PLUS ACCESS, AS

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NEEDED TO HYDROELECTRIC POWER). POWER COMPANIES OUTSIDE OF CARACAS APPEAR TO HAVE DONE THE SAME. IN THE CASE OF THE CARACAS UTILITY, IT WILL BE NEARLY TWO WEEKS BEFORE THEY NEED ANOTHER TANKER OF FUEL OIL. ITS PRESIDENT SAYS THAT BASED ON HIS CONTACTS WITH THE OPPOSITION, HE IS CONFIDENT THAT A WAY WOULD BE FOUND TO ALLOW SUCH A TANKER TO DOCK AND UNLOAD ITS FUEL.

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THE EMPIRE STRIKES BACK  
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7. (C) THE NEXT ELEMENT OF THE ECONOMIC BATTLE BETWEEN THE CHAVEZ GOVERNMENT AND THE OPPOSITION WILL BE AN EFFORT ON THE FORMER'S PART TO RE-ESTABLISH AS MUCH CONTROL AS POSSIBLE OVER PDVSA AND GET SHIPPING AND REFINING BACK IN OPERATION. AS NOTED IN REFS B AND C, PDVSA PRESIDENT ALI RODRIGUEZ IS TRYING TO RUN THE COMPANY THROUGH "CRISIS COMMITTEES" NOW THAT MUCH OF SENIOR MANAGEMENT HAS RESIGNED, IS STRIKING, OR IS SEEN AS POLITICALLY UNRELIABLE, AND WILL TRY TO USE LOYAL LOWER RANKING EMPLOYEES, AND POSSIBLY RETIREES AND FOREIGN TEMPORARIES TO RUN THE COMPANY. IT IS HARD TO GAUGE THE CHANCES FOR SUCCESS, ALTHOUGH ON ITS FACE REACTIVATING SUCH A LARGE, COMPLEX INDUSTRIAL ENTERPRISE ON SHORT NOTICE WITH A NEW SET OF PERSONNEL SEEMS VERY DIFFICULT. BUT WE CAN EXPECT THE GOV TO TOUT EVERY SUCCESS, HOWEVER MINOR, IN ITS PUBLIC RELATIONS CAMPAIGN TO SHOW INCREASING RETURN TO "NORMALITY." (ON DECEMBER 11, THE FIRST INTERNATIONAL OIL SHIPMENTS SINCE THE PDVSA STRIKE BEGAN WERE ANNOUNCED BY ENERGY MINISTER RAMIREZ.)

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